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MUNICIPAL SERVICE REVIEW
GUIDELINES
FINAL DRAFT
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LAFCO MUNICIPAL SERVICE REVIEW GUIDELINES FINAL DRAFT

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EXECUTIVE SUMMARY

These guidelines are the result of legislation (Chapter 761, Statutes of 2000) signed by Governor Gray Davis relating to powers and authorities of Local Agency Formation Commissions (LAFCO).

Development of the legislation resulted from the recommendations of the Commission on Local Governance for the 21st Century (Commission). The Commission published its recommendations in a final report, *Growth Within Bounds*, issued on January 20, 2000.

The report recommended and the legislation enacted a new process for LAFCO to review municipal services on a regular basis. As part of its review of municipal services, LAFCO is required to prepare a written statement of its determination with respect to each of the following:

1. Infrastructure needs or deficiencies;
2. Growth and population projections for the affected area;
3. Financing constraints and opportunities;
4. Cost avoidance opportunities;
5. Opportunities for rate restructuring;
6. Opportunities for shared facilities;
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers;
8. Evaluation of management efficiencies; and
9. Local accountability and governance.

The Governor's Office of Planning and Research (OPR) is directed by statute to prepare these guidelines to assist LAFCO in complying with the new requirement for municipal service reviews.

The guidelines were developed through five public workshops, numerous meetings of an OPR appointed stakeholder task force and four public review periods. The guidelines encourage public participation and consultation with stakeholder organizations at the earliest opportunity. OPR has tried to clearly identify those actions which are required by law and those where OPR recommends a particular process or policy when undertaking the municipal service review.

The guidelines are divided into three parts: Part I - Preparing to Undertake a Municipal Service Review, Part II - The Municipal Service Review Process, and Part III - Taking Action on the Municipal Service Review.

Part I describes the statutory framework and requirements of the municipal service review. This Part also provides guidance on how a LAFCO, service provider and the public can prepare to most effectively engage in the municipal service review process including, but not limited to:

- Development of a long-term schedule of all municipal service reviews which are required to be undertaken by LAFCO during the five-year cycle for Sphere of Influence (SOI) updates.
- Development of a work plan for an individual municipal service review.
- Gathering of data and information related to the municipal service review.
- Development of a strategy for preparing a municipal service review report.
- Identifying the boundary of the municipal service review study boundary

Part II includes guidance on the individual municipal service review process including integrating municipal service reviews with other LAFCO actions, application of the California Environmental Quality Act and potential environmental justice impacts, and the development of the nine determinations.

Part III contains information on how to draft the final individual municipal service review report, suggestions on public participation and the requirements for the hearing at which the report is adopted.

In developing the Guidelines, it is OPR's intent to provide a structure to assist LAFCOs to carry out their statutory responsibility of promoting orderly growth and development, preserving the state's finite open space and agricultural land resources, and working to ensure that high quality public services are provided to all California residents in the most cost effective and efficient manner.

PART I - PREPARING TO UNDERTAKE A MUNICIPAL SERVICE REVIEW

CHAPTER 1. INTRODUCTION

This Chapter provides background on the development of the Municipal Service Review Guidelines, an explanation of their purposes and information on the overall structure and use of this document.

A. STATUTORY BACKGROUND ON MUNICIPAL SERVICE REVIEW GUIDELINES

On September 26, 2000, Governor Gray Davis signed into law AB 2838 (Chapter 761, Statutes of 2000), authored by Assembly Speaker Robert M. Hertzberg. This legislation, titled the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) and codified as California Government Code [§56000](#) et seq, marked the most significant reform to local government reorganization law since the 1963 statute that created Local Agency Formation Commissions (LAFCOs) in each county.

Development of the legislation resulted from the recommendations of the Commission on Local Governance for the 21st Century. The Commission, established through statute in 1997, published its recommendations in a final report, *Growth Within Bounds*, issued on January 20, 2000.

Pursuant to Government Code [§56430](#), the Governor's Office of Planning and Research (OPR) is required to prepare guidelines for Local Agency Formation Commissions (LAFCO) to conduct reviews of local municipal services.

Prior to the 2000 amendments, the law already permitted LAFCOs to conduct municipal service review studies. These LAFCO service studies generally provided evaluation tools to support future LAFCO actions or were part of a reorganization committee effort.

Existing law ([§56430](#)), now states that in order to prepare and update a Sphere of Influence (SOI), LAFCOs are required to first conduct a municipal service review of the municipal services provided in the county or other appropriate designated area.

The term "municipal services" generally refers to the full range of services that a public agency provides or is authorized to provide. The definition is somewhat modified under the CKH Act, however, because LAFCO is only required to review services provided by agencies with SOIs. Therefore, general county government services, such as courts and social services, are not required to be reviewed.

As part of its review of municipal services, LAFCO is required to prepare a written statement of its determination with respect to each of the following:

10. Infrastructure needs or deficiencies;
 1. Growth and population projections for the affected area;
 2. Financing constraints and opportunities;
 3. Cost avoidance opportunities;
 4. Opportunities for rate restructuring;
 5. Opportunities for shared facilities;
 6. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers;
 7. Evaluation of management efficiencies; and
 8. Local accountability and governance.

These guidelines have been developed to assist LAFCOs step through the process of making these determinations.

B. DEVELOPMENT OF GUIDELINES

Pursuant to the requirements of the CKH Act, the Municipal Service Review Guidelines has been developed in consultation with the California Association of California LAFCOs and numerous other organizations representing service providers and the public. Participating organizations include the California Special Districts Association, the League of California Cities, the California State Association of Counties, the Association of California Water Agencies, the League of Women Voters, the California Fire Districts' Association, housing and environmental groups and dozens of representatives from cities, counties, special districts and interested parties.

Consultations and collaboration occurred during facilitated public workshops in Sacramento, Fresno, Santa Ana, Red Bluff and San Diego; five working group sessions with representatives from affected local government entities; and interviews and meetings with interested constituents.

An issues paper and draft outline of the Municipal Service Review Guidelines¹ was published in May 2001 and subjected to a 21-day public review period. The Preliminary Draft² LAFCO Municipal Service Review Guidelines was issued for a 21-day review in August 2001 and comments were reviewed and incorporated into the Final Draft Municipal Service Review Guidelines as appropriate.

¹ Prepared under contract with Graichen Consulting and edited by OPR

² Ibid

A 21-day public review of the Final Draft Guidelines was provided in October of 2002 with appropriate comments incorporated into the Final Municipal Service Review Guidelines.

California LAFCOs have been especially generous with their contributions of service studies, procedures, and other technical products. Special districts and cities have provided samples of model service practices. OPR wishes to recognize the contributions of the Napa County LAFCO in preparing Chapter 8 of this document. Every attempt has been made to incorporate successful procedures, processes and templates created by numerous public agencies.

C. HOW TO USE THE GUIDELINES

The Guidelines are organized into three parts: preparations for undertaking a municipal service review, the process of developing the municipal service review, and taking final actions on the municipal service reviews.

Part I - Preparing to Undertake a Municipal Service Review includes five chapters: Chapter 1 included introductory comments and background on the guidelines. Chapter 2 contains a description of the basic roles and responsibilities of LAFCO, service providers and the public in the municipal service review process. Chapter 3 includes a strategy for developing an overall schedule for municipal service reviews. Chapter 4 contains information on developing a work plan for individual municipal service reviews. Chapter 5 provides guidance on determining the study area boundaries for a municipal service review.

Part II - The Municipal Service Review Process includes three chapters. Chapter 6 provides guidance on integrating a municipal service review with other LAFCO actions, as appropriate. Chapter 7 includes information on compliance with the California Environmental Quality Act (CEQA). Chapter 8 describes the development of the nine required written determinations.

Part III - Taking Action on the Municipal Service Review includes two chapters. Chapter 9 provides guidance on preparing the draft and final municipal service review report for the LAFCO Commission's consideration. Chapter 10 describes the public hearing process.

Appendix A provides a list of important definitions. **Appendix B** includes a list of acronyms used in the Guidelines. Readers may wish to use the list of definitions and acronyms as reference tools when using the Guidelines. **Appendices C - L** provide additional background and templates.

The Municipal Service Review Guidelines is not a regulatory document. It is intended to enable LAFCOs to consistently make the most accurate and substantiated municipal

service review determinations possible using effectively compiled and analyzed information. The resultant municipal service reviews will be information tools available to the public, and to all cities, counties, special districts, agencies and groups that seek to improve the quality of California's public service infrastructure.

In developing the Guidelines, it is OPR's intent to provide a structure to assist LAFCOs to carry out their statutory responsibility of promoting orderly growth and development, preserving the state's finite open space and agricultural land resources, and working to ensure that high quality public services are provided to all California residents in the most cost effective and efficient manner.

CHAPTER 2. BASIC ROLES AND RESPONSIBILITIES

Beginning in January of 2001, LAFCOs became responsible for undertaking municipal service reviews prior to the update of an entity's SOI. This chapter outlines the basic roles and responsibilities of the LAFCO, the service provider and the public in implementing this requirement. Refer to **Appendix C** for general background information on the requirement for LAFCO to perform municipal service reviews.

IMPACT OF 2000 AMENDMENTS

The requirement to undertake municipal service reviews and make specified findings is one of the most significant modifications to the role and responsibilities of LAFCO in the enacting legislation since the 1960's. OPR recommends that each LAFCO, service provider and public advocacy group take time to review and understand their roles in this new statutory environment.

A. MUNICIPAL SERVICE REVIEW: ROLE OF LAFCO

In order to ensure that deliberations by LAFCO on municipal service reviews are consistent, it is important that LAFCO adopt standard written policies and procedures regarding the manner in which it exercise its powers including how it will review any municipal service (Government Code [§56300](#)). Municipal service reviews are required for services for which a SOI has been adopted. LAFCO is required to prepare a municipal service review for any municipal service which is provided by an entity which LAFCO approves a SOI.

WHAT SERVICES ARE COVERED?

Existing law requires that a service review be completed in preparation of the adoption and/or update of a SOI. Therefore, any municipal service which has a service area defined by LAFCO through a SOI will need to have a municipal service review. LAFCO may include one or more services in the review and the study area may be the whole county, multiple counties or any appropriate sub-area, as determined by LAFCO (Government Code [§56430](#)).

As part of the municipal service review process, LAFCO should convene stakeholders as appropriate and facilitate collaborative efforts to address issues and challenges.

Stakeholders may include affected and interested LAFCOs and other government agencies, other interested parties and members of the public.

Cooperatively developed municipal service reviews enable LAFCO and service providers to more effectively accomplish mutual public service objectives. To the extent possible, stakeholders should work together to evaluate existing and future service needs and determine what structures are needed to support healthy growth while preserving important agricultural and open space resources. Although LAFCO does not have direct land use authority and is not enabled to manage or operate a service provider agency, LAFCO can serve as intermediaries for the State in addressing specific growth challenges.

An effective municipal service review process should include early consultations with stakeholders, an inclusive municipal service review design, public review of municipal service review work plans and municipal service review report, and an overall collaborative process (see the process flow chart in **Appendix D**).

Through collaboration, LAFCO and interested parties can: identify common goals and objectives and diffuse issues that foster competition rather than cooperation; share expertise and help lower costs by assisting LAFCOs in determining what types of information need to be gathered and in what form; identify information that is already available to streamline data collection; develop strategies for augmenting LAFCO's technical capabilities by funding or loaning technical staff to work under LAFCO's direction; develop strategies for constructively addressing overlapping service boundaries; and develop plans to implement recommendations developed as a result of a municipal service review.

B. MUNICIPAL SERVICE REVIEW: ROLE OF THE SERVICE PROVIDER

Service providers play an important role in the collaborative process for conducting a municipal service review. The cooperation of service providers is important to ensure that LAFCO has access to all necessary information in a timely manner, and to assist LAFCO in interpreting that information. The service provider should view the municipal service review process as an opportunity to share accurate and current data, accomplishments and information that will allow the LAFCO to make sound conclusions and determinations with respect to services. LAFCOs will use the information provided by service providers to review proposals for changes in services, including SOI updates, incorporations and other boundary decisions.

C. MUNICIPAL SERVICE REVIEW: ROLE OF THE PUBLIC

LAFCOs should encourage and provide multiple public participation opportunities in the municipal service review process. To this end, LAFCOs should develop and maintain a list of interested parties to whom such outreach can be extended. Service providers can assist in involving the public by including municipal service review information in newsletters or billing statements. Public comments should be

PUBLIC PARTICIPATION

A major goal of the CKH Act amendments was to increase public participation in public service planning and delivery. Consistent with that goal, public notice requirements for all LAFCO processes were strengthened or augmented. LAFCOs were also required to adopt service review determinations in a public forum

considered and incorporated into the municipal service review process and reports where appropriate and feasible.

The municipal service review process chart (**Appendix D**) recommends that LAFCO provide several opportunities for the public to provide input in the process. These opportunities can include stakeholder

meetings, public hearings or workshops to initiate municipal service reviews, a public review period of the draft municipal service review report, and a public hearing to consider adoption of written determinations.

CHAPTER 3. DEVELOPING A SCHEDULE OF MUNICIPAL SERVICE REVIEWS

LAFCO should develop a schedule for undertaking municipal service reviews reflective of the individual needs of their county and as a workload management tool. Key internal and external considerations in the development of a schedule for municipal service reviews include:

- To what extent are your SOIs current?
- Are there any pending proposals involving changes to SOIs that may trigger the need for a municipal service review?
- What is the relative complexity of the service(s) being reviewed? (**Appendix E** includes information on data collection that may assist the LAFCO to determine level of complexity.)
- What is the capacity of the LAFCO to undertake municipal service reviews? (**Appendix F** includes information about the use of consultants for municipal service reviews and **Appendix G** includes examples of funding options.)
- What are the general operating practices of the LAFCO (i.e., frequency of meetings, length of meetings, number of items typically on the agenda)

REVIEW DEADLINES

The CKH Act's most recent amendments took effect on January 1, 2001. Although [§56430](#) does not directly provide a specific date when all service reviews must be completed, a deadline can be inferred from [§56425](#), which states, "Upon determination of a sphere, the commission shall adopt that sphere, and shall review and update, as necessary, the adopted sphere not less than every five years."

OPR recommends that LAFCO take the time to establish a schedule and process for undertaking municipal service reviews which reflects agreement of the board members, service providers, the public, the executive officer and LAFCO staff.

A. DEVELOPMENT OF THE SCHEDULE: LAFCO PREPARATION

Since existing law requires SOIs to be updated every five years, and municipal service reviews must be completed for SOI updates, municipal service reviews should be updated at least every five years. LAFCOs have complete flexibility in scheduling these reviews including identifying which services will be reviewed, whether similar services will be reviewed at the same time, and what service areas/geographic regions will be reviewed within an individual municipal service review.

TECHNICAL INPUT

LAFCO municipal service review procedures should include a specific process for service providers and the public to identify unique challenges to providing services to a particular area.

OPR recommends that LAFCOs develop a five-year schedule of reviews in order to ensure that all required municipal service reviews are completed in a timely manner. In developing any schedule of reviews, the LAFCO should develop policies and procedures on how it will handle reviews which occur due to changes in local circumstances such as proposals that may require changes to the SOI, proposed annexations, SOI amendments and incorporations.

LAFCO should also provide opportunities for service providers to be involved in the establishment of the schedule, development of the work plan for an individual municipal service review, designing of the review and preparation of the final municipal service review report for the LAFCO Commission. LAFCO should adopt standard policies and procedures relative to public involvement to ensure that community members and service providers have an opportunity to participate in these activities.

Below are some tools to assist LAFCO in preparing to undertake municipal service reviews including of service provider profiles, SOI status logs, maps, and matrices.

GETTING PREPARED

- Review service provider profiles.
- Review SOI status log.
- Obtain service provider maps.
- Create service provider matrices.
- Create five-year schedule

Review Service Provider Profiles: Many LAFCOs have developed service provider directories, profiles or inventories, which can be used as a resource. Service provider profiles vary from county to county but most include basic information such as service provider names, district maps, telephone numbers, key staff, size, population served, services provided,

appropriate enabling legislation, authorized and latent powers, date of formation and some budget information.

Some directories only include information on service providers with SOIs. Others include data on most providers including private purveyors and districts that are not subject to SOI or other requirements.

When available, directories can also be used by cities and counties when updating plans, conducting California Environmental Quality Act (CEQA) reviews, and reviewing development projects, and by the public when seeking basic information about services in their communities.

LAFCOs that have not compiled agency profiles should consider using information obtained during municipal service reviews and SOI updates to start compiling a directory of profiles. **Appendices H, I, and J** are examples of service provider profiles for a Community Service District (CSD), city and special district.³

Review SOI Status Logs: Some LAFCOs maintain a status log for all SOIs under its jurisdiction (See **Appendix K** for an example of a SOI status log). These logs identify past actions of the LAFCO relative to changes in the SOI of specific service providers. LAFCOs that have not kept status logs should consider keeping these logs and/or otherwise memorializing the information gained from the municipal service review.

Organize Your Data: Once LAFCO has assembled basic information about applicable services and service providers, it may want to use one or more of the following methods for organizing the information. Some suggestions include maps, matrices and timelines.

1. **Maps:** Countywide, regional and service area maps can be useful in identifying what geographic areas should be reviewed. Some of these maps may be obtained from existing sources such as service provider profiles. Before creating new maps, the LAFCO should check with local planning agencies to determine if they have prepared such maps as part of development reviews, EIRs or General Plan preparation. Useful maps include countywide, regional and service area maps. (**Appendix E** provides includes more information on how maps can assist in data collection.)

2. **Matrices:** LAFCOs may find it useful to prepare a matrix listing all service providers by the services that they provide or are authorized to provide. (See **Table 1** below, sample template.) It may also be useful to identify latent powers either on a

ADVANTAGES OF ORGANIZING INFORMATION ON SPREADSHEETS

Data organized using a spreadsheet format or other flexible software, allows each column to be sorted individually. One service provider may provide several services which may or may not be reviewed at the same time. Also, the information can be resorted by area or region.

³ Appendices referenced in this Chapter are provided as examples. The exact content and style are not specifically endorsed.

separate or the same matrix. (Appendix E includes more information on data collection.)

3. **Timeline:** LAFCO may use the data compiled to develop a draft five year timeline for initiating and completing all municipal service reviews.

TABLE 1 - SERVICE PROVIDER MATRIX TEMPLATE ⁴								
Provider	Area or Region	Fire (FI)	Sanitation (SA)	Water (WA)	Flood Control (FC)	Solid Waste (SW)	Recreation and Parks (R&P)	Other
ARFPD		FI*						
ARFCD					FC			
Arcade R&P							R&P	
Arcade Water				WA				
AM R&P							R&P	
Brannan-Andrus LMD					FC			
Citizens Utilities				WA				
CH ID				WA				
Clay Water				WA				
RD 369					FC			
Cordova R&P							R&P	
CSA9			SA					
CSD #1			SA					
*Using letters facilitates sorts.								

B. DEVELOPMENT OF THE SCHEDULE: SERVICE PROVIDER PREPARATION

Service providers can help shape municipal service reviews by getting involved early in the process and assisting in: the establishment of the schedule, providing information, developing a work plan, collecting data/information and completing the municipal service review report.

A municipal service review is only as good as the data on which it is based. LAFCO will need specific information on the services being provided in the region and will probably need to request this information from the service providers. The types of information will vary from agency to agency and by the type of service being reviewed.

⁴ This template is provided for illustration only and does not contain every type or class of municipal service.

Below is a list of the types of information a service provider may wish to gather to expedite the municipal service review process. It is not necessary to collect all types of data listed below. Select only those items that are relevant to the type of services under review.

1. A list of relevant statutory and regulatory obligations.
2. A copy of the most recent master services plan.
3. A metes and bounds legal description of the agency's boundary.
4. Service Area Maps (to the extent already prepared) including (1) A service boundary map; (2) A map indicating parcel boundaries (GIS maps may be available from the land use jurisdiction); (3) A vicinity or regional map with provider's boundary, major landmarks, freeways or highways, and adjacent or overlapping service provider boundaries (note: more than one map may need to be prepared to show all data); and (4) Maps indicating existing land uses within city or district boundaries and on adjacent properties.
5. Applicable excerpts from regional transportation, water, air quality, fair share housing allocation, airport land use, open space or agricultural plans or policies, or other environmental policies or programs.
6. Copies of regulatory and operating permits.
7. Number of acres or square miles included within the service area.
8. Type of sphere or sphere boundaries.
9. Assessed valuation.
10. Estimate of population within district boundaries.
11. As appropriate, the number of people, households, parcels or units currently receiving service, or the number of service connections.
12. Projected growth in service demand or planned new service demand/capacity.
13. Special communities of interest or neighborhoods affected by service.
14. Capital improvement plans.
15. Current service capacity.
16. Call volume.
17. Response time.
18. Annual operating budget.

Don't Reinvent the Wheel

Service providers may regularly submit reports to a regulatory or financing agency which contain the information the LAFCO needs to complete the municipal service review. Use the information in these reports to respond to information requests by LAFCO.

Early consultation with the LAFCO and meaningful input by the service provider can reduce the time and cost to both parties.

Share Best Practices and Unique Challenges

Service providers should take the opportunity to let LAFCOs know about best practices and other accomplishments of the agency when service information is requested.

In addition, service providers should inform the LAFCO about particular challenges that exist in providing services to a particular area so that this may be considered by the LAFCO during the municipal service review.

C. PRELIMINARY SCOPING - IF PREPARING FIVE YEAR SCHEDULE

A five year schedule for under taking all mandatory municipal service reviews is not required by existing law. However, OPR recommends the preparation of a schedule to ensure that all municipal service reviews are completed for use in updating SOIs at least once every five years.

As part of the development of the five-year schedule of reviews, the LAFCO should undertake preliminary scoping. This Chapter provides general guidance; however, LAFCOs may need to modify these recommendations to reflect local conditions and circumstances; knowledge of processes that work better in a specific area; the repetitive nature, simplicity or complexity of a service; and other factors that are municipal service review specific.

MENTORING LAFCOS

It may be useful to obtain guidance from experienced LAFCOs, such as Mentor LAFCOs, to assist with processing complex service reviews. It will also be useful for LAFCOs to share completed municipal service reviews as they become available. CALAFCO may be contacted for recommendations of mentor LAFCOs and to ascertain the availability of completed service reviews. A list of LAFCOs is also available on the CALAFCO website at <http://www.calafco.org/>.

Preliminary scoping for the establishment of a five-year schedule of reviews includes, but is not limited to, the following steps:

Step 1. Service List - Create list of services and providers (see Table 1).

Step 2. Map - Prepare a map of study area boundaries.

Step 3. Single Service or Bundled Services - Decide whether to study individual or clustered services.

Step 4. Early Consultation - Consult with affected LAFCOs, regional planning staff, city and county planning staff, service providers, stakeholder groups and the public.

Step 5. Multi-County Review - Decide whether the municipal service review affects or overlaps adjacent LAFCOs. (See **Appendix L.**)

Step 6. LAFCO Capacity - Identify potentials for funding, staffing, mentoring or consultant arrangements or options.

Step 7. Data Assessment - Review existing sources of information. (**Appendix E** includes information on data collection.)

Step 8. Impact of Pending Proposals - If pending LAFCO proposals are driving the municipal service review, meet with proponents to define issues, and discuss funding, timeframes, and the coordination of the municipal service review, the pending proposal and any required SOI update.

Step 9. Funding Shares/Cost Sharing - **Appendix G** includes several examples of funding sources for municipal service reviews.

D. PREPARING THE SCHEDULE

The schedule for undertaking municipal service reviews can be as simple as a list of reviews by year, indicating the services to be reviewed, providers affected and on anticipated study area boundaries. OPR recommends that the schedule be posted on the LAFCO web site, distributed to individuals and organizations on its "interested parties mailing list" and to all affected service providers. Once the schedule is prepared, circumstances may arise that require it to be modified, especially if the schedule covers multiple years. LAFCO should review the schedule regularly to make necessary modifications.

CHAPTER 4. DEVELOPMENT OF A WORK PLAN FOR INDIVIDUAL MUNICIPAL SERVICE REVIEWS

This Chapter includes guidance on undertaking an individual municipal service review based on the schedule developed in Chapter 3. OPR recommends that a work plan be developed for each municipal service review. LAFCO may wish to develop a standard model for these work plans to ensure consistency and to save time. An effective work plan will assist the LAFCO to make key decisions about the following questions:

- Will the municipal service review include only one service or will several related services be reviewed together?
- Is there a need for inter-county coordination? (**Appendix L** includes a discussion of inter-agency coordination.)
- Will the municipal service review be integrated into some other LAFCO action(s)? (Chapter 6 includes a discussion of this issue.)
- Should the LAFCO use a consultant to complete the municipal service review? (**Appendix G** includes a discussion on use of consultants.)
- To what extent does the LAFCO budget reflect funding for the completion of the municipal service review? Will there be a need for supplemental funding? If so, how will that supplemental funding be provided, i.e. fees, dues, loans? (**Appendix H** includes additional information on funding options.)

Development of a work plan includes four major steps: (1) Review of the information gained through preliminary scoping, as it relates to the particular service being reviewed, (2) Gathering of additional data and information that may be needed to perform the particular municipal service review under consideration; (3) Development of a strategy for preparing a report which will adequately inform the Commission to make the nine required municipal service review determinations; and (4) Writing of the actual work plan.

This chapter provides general guidance, however, LAFCOs may need to modify these recommendations to reflect local conditions and circumstances, knowledge of processes that work better in a specific area, the repetitive nature, simplicity or complexity of a municipal service review, and other factors that are municipal service review specific.

A. REVIEW PRELIMINARY SCOPING DOCUMENTS

As a first step in developing the individual municipal service review work plan, LAFCO should review the information that was developed through preliminary scoping. This step is necessary because the preliminary scoping may have taken place a year or more prior to the initiation of a specific municipal service review. By reviewing information that has already been identified through preliminary scoping, the LAFCO can determine whether the information is still valid or requires updating and/or supplementing.

B. GATHER ADDITIONAL INFORMATION

In preparation for the completion of a work plan for a particular municipal service review, the LAFCO should continue its work in gathering information which it started when the LAFCO established its schedule for performing municipal service reviews. If

the preliminary scoping was not previously undertaken, refer to steps one through nine in Chapter 3 before proceeding to the steps below.

Step 1. Re-establish discussions of municipal service review issues with affected service providers, county and city planning staff, and regional planning agencies.

Step 2. To the extent feasible, the LAFCO should conduct meetings to identify sensitive issues and areas of concern that need to be considered during municipal service review preparation, such as open space and agricultural land preservation, infill and affordable housing issues, environmental justice concerns, land use or economic issues such as base closures, deteriorating or inadequate infrastructure, economic downturns, growth and market forecasts, immediate financial effects on agencies, cost sharing and budgeting, advocacy issues, area-specific characteristics, known or anticipated service rate and property tax payer concerns, regional issues, rural versus urban differences, suburban or emerging county needs and characteristics, environmental resources, or other issues, processes or constraints.

Step 3. List and discuss major known issues, such as permit violations or recent consolidations, relating to the nine written determinations that must be rendered.

Step 4. Determine if it is appropriate to integrate SOI updates, other applicable pending proposals and expected subsequent government reorganizations, within the scope of the municipal service review.

C. DEVELOP A STRATEGY FOR PREPARATION OF THE MUNICIPAL SERVICE REVIEW REPORT

A part of its review of municipal services, LAFCO must prepare a written statement of its determination with respect to each of the following (Government Code [§56430](#)):

1. Infrastructure needs or deficiencies.
2. Growth and population projections for the affected area.
3. Financing constraints and opportunities.
4. Cost avoidance opportunities.
5. Opportunities for rate restructuring.
6. Opportunities for shared facilities.
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers.
8. Evaluation of management efficiencies.
9. Local accountability and governance.

The LAFCO will need to decide what information and level of analysis is necessary to support sound and defensible determinations. Because the LAFCO Commission is responsible for making these determinations based on staff research, analysis and recommendations, it is important that the municipal service review report contain sufficiently detailed information that supports and justifies the recommended determinations. To this end, the LAFCO staff should consider the general format and content requirements of the final municipal service review report.

The amount of information and analysis necessary to complete a municipal service review report will vary depending upon the particular service being reviewed, local circumstances, and any additional actions that might need to be taken based on the municipal service review. To the extent that LAFCO is aware of other proposals or pending actions that will be related to or dependent upon a particular municipal service review, the LAFCO may wish to address other issues in the municipal service review report or require supplemental information and analysis in the municipal service review.

D. WRITING THE WORK PLAN

OPR recommends that each municipal service review be undertaken pursuant to a formalized work plan. This work plan does not necessarily have to be approved by the LAFCO Commission, but should be developed by staff with the Commission's knowledge and input.

OPR recommends the LAFCO develop a consistent format for the work plan, to streamline its preparation and encourage standardization of the process for conducting municipal service reviews. Consistency should be a primary goal in the LAFCO's review of municipal services, not only for the benefit of the LAFCO and its staff, but also for other stakeholders who will routinely be involved in the municipal service review process.

The work plan should minimally include the following elements:

- List of Service(s) to be reviewed.
- Service Providers that will be affected/involved.
- Study Area Boundaries for the municipal service review. (Chapter 5 includes more information on how to establish study area boundaries.)
- Data Collection process. (**Appendix E** includes a discussion of data collection.)
- Public Participation process. (Chapter 2 provides additional information on the role of public participation in the review of municipal services.)
- Public hearing process. (Chapter 10 contains more information on the hearing process. **Appendix D**, the process flow chart, illustrates how the hearing

process may work if the LAFCO chooses to integrate the municipal service review into other LAFCO actions.)

CHAPTER 5. IDENTIFYING THE MUNICIPAL SERVICE REVIEW STUDY BOUNDARY

The CKH Act requires that LAFCOs focus on services rather than individual SOIs, proposals or service providers. To review a service, LAFCO needs to identify the geographic area within which the service should be studied. Government Code [§56430](#) states, "the commission shall include in the area designated for municipal service review the county, the region, the sub-region, or such other geographic area as is appropriate for an analysis of the service or services to be reviewed."

LAFCOs should consult with other affected LAFCOs when scoping a proposed municipal service review. An affected LAFCO is a LAFCO for a county other than the principal county that may be affected by a municipal service review. This is especially important for municipal service reviews which may lead to the consideration of proposals that have the potential to cause significant environmental, fiscal or economic impacts on the affected county.

A. METHODS FOR IDENTIFYING AN APPROPRIATE MUNICIPAL SERVICE REVIEW BOUNDARY

There is no single method for identifying an appropriate municipal service review boundary. Within the State, there are numerous combinations of services, and types of service regions and community service areas within in counties.

Each LAFCO will need to work with affected and interested agencies and planning jurisdictions, if different, to define logical municipal service review study boundaries that respond to local conditions, geography and circumstances. This includes:

- Selecting a service or group of services for review;
- Determining who provides, uses and is affected by that service (those services);

TAILOR BOUNDARIES TO SERVICES AND LOCAL AREA

LAFCO should tailor study boundaries to reflect local conditions and the specific service under review.

There are widely varying local conditions including numerous types of geologic, topographical and climate zones. Some counties have isolated rural and mountain communities. Other counties are densely populated.

Some counties have an agriculture based economy; others have urban or urban/suburban economies.

There are large and small drainage basins, and counties with mountains or large lakes. Some districts cross county boundaries, provide regional services, or serve a single isolated town.

LAFCO should have a clear methodology for establishing boundaries based on these and other factors.

- Determining what topographic features, tax zones, joint powers agreements, shared facilities, resources and infrastructure, among other factors, link a service to a particular location or locations that could be studied; and
- Mapping or otherwise identifying the area for study.

B. EXAMPLES OF MUNICIPAL SERVICE REVIEW BOUNDARY DETERMINATIONS

The following are examples of municipal service review study areas based on hypothetical conditions and circumstances.

Example 1: County A is a rural county generally bisected by a mountain range. The County's western slope contains two adjacent rapidly urbanizing communities with mainly large lot residential housing. Each of two community service districts provides parks and recreation, street lighting and landscaping, and road maintenance services to one of the communities. Only one district provides fire protection and emergency services. There are five fire districts that surround the potential study area and are planning to serve areas that are approved for urbanization, some of which are within CSD boundaries.

All fire districts are planning to construct new facilities near or in the two communities. There are definable areas where there is little relationship between the fire service providers' boundaries and first response fire protection and emergency service responsibilities. All of the districts have substantial territory within a State Responsibility Area, and, therefore, receive fire-fighting assistance from the California Department of Forestry (CDF). The CDF provides fire protection services by contract to one of the community services district. The County provides overlapping park and open space services in the area.

Analysis: OPR suggests that this study area's boundary include the western slope of the mountain ridge with the urban limit line forming a possible southern boundary. To maximize efficiency, this municipal service review should probably include multiple services.

Example 2: Nine sanitation service districts serve territory contained in a well-defined drainage basin. District A owns and operates a wastewater treatment plant in the basin. All districts are parties to a joint powers agreement to use the facility and share maintenance and operation costs. Other major service providers' boundaries are based on the location of urban areas and have little relationship to drainage basin boundaries.

Analysis: OPR suggests that this study area's boundaries be generally coterminous with drainage basin boundaries. Only wastewater service should be studied, although

LAFCO could determine whether a similar structure exists for water providers and consider the potential for a combined water/sanitation municipal service review.

Example 3: Two small cities are located in the southern portion of a rural county. Each city provides most of its own municipal services with the exception of water, sanitation, and mosquito abatement/vector control. Three regional districts provide those services.

Analysis: OPR suggests that this study area's boundary include the planning areas of both cities. Services to be studied would be limited to those provided by the two cities although an overview of the three regional districts could also be included. LAFCO could streamline the process by conducting joint SOI updates concurrent with the municipal service review, and a single CEQA review.

Example 4: County A is a large county with substantial rural, suburban and urban areas. During the past eleven years, the number of fire districts in County A has decreased from 25 to 16 due to service provider initiated consolidation proposals. Several fire districts are considering initiating consolidation proposals when their fire chiefs retire. Four of the service providers serve isolated rural areas. One urban/rural provider provides emergency services to smaller, adjacent rural districts. None have overlapping boundaries. All participate in mutual aid agreements. Developers on the east side of the county have been approaching fire service providers in an adjacent county for the purpose of obtaining fire service for proposed isolated senior citizen communities.

Analysis: OPR suggests that this study area's boundary include the entire county and include all fire protection service providers. The fire protection service providers from adjacent counties should be asked to participate in stakeholder meetings, and/or provide other input into the study. Providers could be clustered by geographic location, or urban/rural characteristics.

Example 5: One hundred thirty-five (135) flood control, drainage, land reclamation or levee maintenance service providers serve a 100 square mile drainage area with deteriorating or insufficient infrastructure. Property values in the area are depressed. Many share insurance, capital facilities, attorneys or staff. Several have no paid staff. There is significant variation in assessed service rates, which, in many cases, bears a direct relationship to levels of service. There are few overlapping boundaries. The districts are located in four counties.

Analysis: OPR suggests that study area's boundary include the entire 100 square mile area. The affected LAFCOs could develop a joint powers agreement and conduct a joint municipal service review study for flood control, drainage and levee maintenance.

PART II - THE MUNICIPAL SERVICE REVIEW PROCESS

CHAPTER 6. INTEGRATING MUNICIPAL SERVICE REVIEWS WITH OTHER LAFCO ACTIONS

This Chapter provides guidance on how to integrate municipal service reviews with other LAFCO actions. LAFCOs are not required to review a SOI at the same time that it performs a municipal service review. Some LAFCOs may, however, find that integrating municipal service reviews with other LAFCO business proves a better context in which to review the information and streamlines both the municipal service review and SOI processes. **Appendix D** provides a flow chart which illustrates how an integrated municipal service review may be undertaken.

WHEN TO DO MUNICIPAL SERVICE REVIEWS

The CKH Act's most recent amendments took effect on January 1, 2001. Although [§56430](#) does not directly provide a specific date when all service reviews must be completed, a deadline can be inferred from [§56425](#), which states, "Upon determination of a sphere, the commission shall adopt that sphere, and shall review and update, as necessary, the adopted sphere not less than every five years."

A. INTEGRATING MUNICIPAL SERVICE REVIEWS WITH SOI ACTIONS

INTEGRATE MUNICIPAL SERVICE REVIEWS WITH OTHER ACTIONS

This Chapter provides guidance on how to integrate service reviews with other LAFCO actions. LAFCOs are not required to review a SOI at the same time that it performs a service review. Some LAFCOs may, however, find that integrating service reviews with other LAFCO business proves a better context in which to review the information and streamlines both the service and SOI processes. **Appendix E** provides a flow chart which illustrates how an integrated service review may be undertaken.

The information, recommendations and determinations, contained in a municipal service review, are intended to guide and inform SOI decisions. This includes actions to create or update an SOI. Government Code [§56430\(c\)](#) states,

"The commission shall conduct a municipal service review before, or in conjunction with, but no later than the time it is considering an action to establish a SOI in accordance with [§56425](#) or [§56426.5](#) or to update a SOI pursuant to [§56425](#)."

Any SOI adopted prior to December 31, 2000 must be updated, as necessary, but at least by January 1, 2006. Some updates may simply involve an affirmation of the existing SOI boundaries or some modifications to the SOI to achieve consistency with the CKH Act. [§56430](#) states that municipal service reviews must be conducted prior to, or concurrent with, those updates. Therefore all municipal service reviews must be completed by January 1, 2006.

A LAFCO may have several reasons for prioritizing a specific municipal service review. Perhaps there is a pending proposal to create, update or substantially amend an SOI; a pending health and safety issue; or the SOI is many years old. Whatever the reason, LAFCO should consider combining municipal service reviews and related SOI processes where feasible. Reasons for combining municipal service reviews with SOI reviews include:

- Several districts with affected SOIs may be included in a single municipal service review.
- SOI actions, staff reports, planning documents and public hearings may be consolidated with those required for municipal service reviews.
- Prudent clustering of SOI actions and related municipal service reviews may reduce processing costs, and enable costs to be spread among more affected or interested parties.
- CEQA encourages the consideration of multiple related actions where appropriate. It may be possible to evaluate a municipal service review and its associated SOI action(s) in a single CEQA review.
- Service review determinations and SOIs actions may be viewed from a more inclusive or regional perspective.

B. INTEGRATING MUNICIPAL SERVICE REVIEWS WITH OTHER PROPOSALS

During the conduct of a municipal service review, LAFCO may determine that study conclusions will strongly support specific government organization or reorganization proposals or actions. In those cases, LAFCO, or affected service providers, may desire to initiate recommended actions concurrent with the municipal service review. Under certain circumstances, concurrent processing could ensure that the municipal service review information gathering process focuses on issues relevant to anticipated subsequent actions.

C. MUNICIPAL SERVICE REVIEWS IN THE REGIONAL CONTEXT

While LAFCO does not have any direct land use authority, the CHK Act assigns LAFCOs a prominent role in regional planning issues by charging it to consider a wide range of land use and growth factors when it acts on matters under its jurisdiction. LAFCO has broad statutory responsibility to consider planned, orderly, efficient patterns of urban development which also preserve agricultural lands and achieve a fair share of the region's housing needs. ([§56668](#) and [§56668.5](#))

LAFCOs can have a powerful influence on local land use planning decisions through participation in city and county general plan processes. Section [65352](#) (a) of state planning law requires cities and counties to refer their general plans to LAFCO before

adopting or amending their general plans. This is an example of many opportunities that LAFCO has to influence local and regional land use decisions in ways that are consistent with LAFCO's charge. On one hand, LAFCO must consider consistency with local general plans when it makes boundary decisions, but LAFCO also has the ability to influence the nature of those local general plans through active participation in their development.

Regional planning initiatives are another opportunity for LAFCO to collaborate with planning agencies and encourage development of coordinated goals and policies. Examples of regional initiatives include habitat conservation plans, regional transportation plans, and watershed management plans, to mention a few.

Service reviews occur in the larger context of county and regional planning efforts that are not always in harmony. LAFCO should use every opportunity to engage in these other planning efforts to ensure that LAFCO's concerns are reflected in land use planning decisions. LAFCO should also take advantage of the opportunity to use its municipal service review process as a means of encouraging collaboration with planning agencies on important policy issues. By both participating in these other planning efforts and using information gained from these activities LAFCO can help improve the quality and consistency of data. Service reviews should help put into context the relationship between service options and regional issues, goals and policies.

Refer to Government Code [§56377](#), [§56378](#), [§56386](#), [§56430](#), [§56668](#), and [§56668.5](#) for specific requirements for LAFCOs to consider regional issues or coordination with regional planning agencies.

D. ENVIRONMENTAL JUSTICE CONSIDERATIONS AND MUNICIPAL SERVICE REVIEWS

In undertaking municipal service reviews and making the nine determinations, LAFCO board members should consider their responsibilities under civil rights and environmental justice laws. In general, these laws prohibit actions by public entities which disproportionately affect one category of individuals as defined by race, creed, ethnicity, disability, family status and income.

OPR recommends that LAFCO request legal counsel guidance to assure that the policies and processes that it implements are appropriate. These guidelines include a number of recommendations which encourage broad public participation and municipal service review analysis which would affirmatively support the broad civil rights and environmental justice responsibilities of LAFCO including:

- Adopt general policies and procedures relative to the undertaking of the municipal service review. This will avoid any appearance of an unequal review of some services.
- Develop and publish a five-year schedule for municipal service reviews to maximize the ability of the public to participate in the process.
- Convene stakeholders and facilitate collaborative efforts to address issues and challenges that are identified during the municipal service review process.
- Undertake municipal service reviews across county lines if that would more appropriately address the community of interest.
- Adopt the work plan for the individual municipal service review at a public meeting.
- Incorporate the municipal service review with other LAFCO actions (such as a SOI update) for the purpose of demonstrating the context in which the information gained in the municipal service review will be used.
- Publish the Draft Municipal Service Review Report and provide for a 21-day public review period before scheduling the report to be considered by LAFCO.
- Sponsor public workshops prior to the hearing at which the Final Municipal Service Review Report will be adopted.

CHAPTER 7. INTEGRATING MUNICIPAL SERVICE REVIEWS WITH THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

The Public Resources Code [§21000](#) et sequitur, also known as the California Environmental Quality Act (CEQA), requires public agencies to evaluate the potential environmental effects of their actions. Only discretionary actions that are defined as projects are subject to CEQA. A project is the whole of an action, which has the potential for resulting in either a direct physical change to the environment, or a reasonably foreseeable indirect physical change to the environment (CEQA Guidelines [§15378](#)).

In order for CEQA to apply to a municipal service review, it must be considered a project under CEQA. Service reviews may meet this definition particularly if viewed in light of *City of Livermore v. Local Agency Formation Commission of Alameda County* (1986). In that court decision, LAFCO adoption of SOI guidelines was held to be a project because the revised guidelines could affect future growth patterns. A municipal service review may have the same effect of influencing future growth patterns.

A. APPLICABILITY OF CEQA

Service reviews are intended to support SOI updates, which may include expansions or reductions in SOI boundaries, the creation of new SOIs, or SOIs amendments that trigger a need to update the pertinent SOI. The language of [§56430](#) of the CKH Act requires that LAFCO will:

- Consider municipal service reviews, and municipal service review recommendations, during noticed public hearings;
- Render determinations regarding a number of issues including various government options, the advantages and disadvantages of the consolidation and reorganization of service providers, and the identification of infrastructure needs; and
- Use the reviews when rendering future decisions to create, update or amend an SOI, or approve or disapprove government organization or reorganization proposals.

In some cases, a municipal service review, and its required determinations, will provide policy guidance for future LAFCO decisions that may direct or affect the location and pattern of growth. Because of the nature of the analysis required, municipal service reviews may be perceived or interpreted by some as the first step in creating, updating or amending SOIs or initiating other government organizations or reorganizations. In other cases, municipal service reviews may actually be an integral part of a larger project. Service reviews may frequently be triggered by pending applications to LAFCO for SOI amendments, or for annexations that cannot proceed without an SOI update.

To ensure compliance with CEQA, and avoid unnecessary legal challenges, LAFCOs should consider municipal service reviews as projects subject to CEQA. The LAFCO would be the "lead agency" responsible for complying with CEQA because it is the entity with the principal responsibility for approving or carrying out the municipal service review (i.e., the project) (Public Resources Code [§21067](#)). As the CEQA lead agency, the LAFCO must ensure that all required elements of the CEQA review process are conducted consistent with the requirements of CEQA and LAFCOs' own adopted CEQA procedures.

B. CEQA DETERMINATIONS

CEQA requires a lead agency to make one of three basic environmental determinations with respect to the potential environmental effects of a project. The project may qualify for an exemption, which requires no further analysis. If the project is not exempt and there are no potentially significant environmental effects, the lead agency may prepare a Negative Declaration (ND). If the project is not

exempt and there is the potential for one or more significant environmental effects, an Environmental Impact Report (EIR) must be prepared.

No two municipal service reviews will be exactly alike and each needs to be evaluated on its specific merits and characteristics. Each LAFCO should ensure that its own locally adopted CEQA procedures and guidelines are updated to account for environmental determinations on municipal service review activities.

C. EXEMPTIONS

Each lead agency must first review a project to determine if it is exempt from CEQA review. There are three types of exemptions that a LAFCO could review for applicability to a specific municipal service review: statutory, categorical and "general rule" exemptions. The lead agency should support its reliance on an exemption with substantial evidence in the record.

A municipal service review may potentially qualify for a statutory exemption as a Feasibility and Planning Study:

"A project involving only feasibility or planning studies for possible future actions which the agency, board, or commission has not approved, adopted, or funded does not require the preparation of an EIR or negative declaration but does require consideration of environmental factors. This Chapter does not apply to the adoption of a plan that will have a legally binding effect on later activities." (CEQA Guidelines [§15262](#)).

There are two categorical exemptions that might apply to a municipal service review. These are Class 6 and Class 20 categorical exemptions. Categorical exemptions may not be used if there are special circumstances that would raise the potential for the project to have a significant environmental effect (CEQA Guidelines [§15300.2](#)).

"Class 6 consists of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. These may be strictly for information gathering purposes, or as part of a study leading to an action which a public agency has not yet approved, adopted or funded." (CEQA Guidelines [§15306](#))

"Class 20 consists of changes in the organization or reorganization of local government agencies where the changes do not change the geographical area in which previous existing powers are exercised. Examples include but are not limited to: (a) Establishment of a subsidiary district; (b) Consolidation of two or more districts having identical powers; and (c) Merger with a city of a district lying entirely within the boundaries of the city." (CEQA Guidelines [§15320](#))

A general rule exemption may apply to a project, where it can be seen with certainty that there is no possibility that the activity in question may have a significant adverse environmental effect (CEQA Guidelines [§15061\(b\)\(3\)](#)). LAFCOs are advised to use this exemption with particular caution because legal challenges to the use of this exemption may be more difficult to defend.

If a LAFCO determines that an exemption is appropriate, it is recommended that the LAFCO prepare and file a Notice of Exemption (NOE) as described in [§15062](#) of the CEQA Guidelines. If an NOE is not filed, the statute of limitations is 180 days from the date of the lead agency's decision to approve the project, as opposed to 35 days if an NOE is filed.

D. INITIAL STUDY

If LAFCO determines that a municipal service review project is not exempt, then an Initial Study must be prepared to determine whether a Negative Declaration or an EIR is the appropriate level of review under CEQA. LAFCO is required to consult with responsible and trustee agencies prior to its determination of the appropriate environmental document to prepare (see CEQA Guidelines [§15063](#).)

E. NEGATIVE DECLARATION

A Negative Declaration may be prepared by LAFCO for a project when the Initial Study shows that there is no substantial evidence that the project may have a significant effect on the environment (CEQA Guidelines [§15070-§15075](#)).

The Negative Declaration must be made available to the public and others who have expressed an interest in the project, not less than 20 days before the project is heard by LAFCO. Prior to approval of the project, the LAFCO Commission must consider any comments received on the Negative Declaration.

If LAFCO determines to carry out or approve the project, a Notice of Determination (NOD) must be filed with the County Clerk within five working days. The County Clerk must post the NOD within 24 hours of receipt. The posting of the NOD starts a 30-day statute of limitations for challenges under CEQA. If an NOD is not filed, the statute of limitations is 180 days from the date of the lead agency's decision to approve the project.

F. ENVIRONMENTAL IMPACT REPORT

If a municipal service review is subject to an EIR process because of potentially significant effects, the LAFCO should rely upon [§15080-§15097](#) of the CEQA Guidelines for guidance on the preparation of an EIR. An EIR may be required where the

municipal service review is closely tied to a larger action, such as an SOI update, that may have a significant effect on the environment.

An EIR may require up to a year to complete, and associated costs can reach \$50,000 or more. Where LAFCO resources to prepare an EIR are limited, it is recommended that LAFCO consider using the services of a consultant.

CHAPTER 8. DEVELOPING WRITTEN DETERMINATIONS

This Chapter provides guidance for evaluating each of the nine categories for which written determinations must be rendered pursuant to Government Code [§56430](#).

The tables contained in this Chapter were developed to illustrate the factors or issues a LAFCO may wish to consider when making the nine mandatory municipal service review determinations pursuant to [§56430](#) of the Government Code. Each LAFCO should use the issues identified in the tables to the extent that they are appropriate to the service being reviewed and local conditions.

For example, the review of a cemetery service will not include the complex evaluation of items applicable to an infrastructure-intensive provider such as a sanitation district. A cemetery municipal service review discussion for water supply would at most pertain to on-site drinking or irrigation water needs, not the complex water rights and water supply negotiations affecting major urban water service providers. The level of evaluation and discussion should be driven by the specific service or issues relating to that service.

The nine municipal service review determinations are interdependent. Therefore, some of the issues related to each of the nine determinations may overlap, and information about one determination may substantially affect other determinations. For example, Subsection (H), Government Structure Options, includes issues which may be pertinent to all other subsections because those categories provide input into an evaluation of the advantages and disadvantages of various government structure options.

WORK TOGETHER TO TAILOR ISSUE LISTS

The lists of issues in this Chapter are very general and were designed to address a variety of services provided in all parts of the state.

LAFCOs and service providers are encouraged to work together to develop regionally appropriate and service specific lists of issues.

The individual LAFCO can then work from these more focused lists and further tailor lists to reflect the specific area and services being studied.

1. INFRASTRUCTURE NEEDS AND DEFICIENCIES

In identifying an agency's infrastructure needs and deficiencies, LAFCO may wish to address the following factors in its review:

ITEM NO.	FACTOR / ISSUE
1.	Government restructure options to enhance and/or eliminate identified infrastructure needs and/or deficiencies.
2.	Expansion of services to eliminate duplicate infrastructure construction by other agencies.
3.	Condition of infrastructure and the availability of financial resources to make necessary changes.
4.	Level of service and condition of infrastructure in light of revenue and operating constraints.
5.	Infrastructure capabilities to accommodate future development with flexible contingency plans.
6.	Reserve capacity for properties not served within current boundaries and estimate of properties within current boundaries not eligible for service.
7.	Provisions for adequate service for properties not currently being served within current boundaries.
8.	Location of existing and/or planned facilities.
9.	Location of existing and/or planned infrastructure in relation to affordable housing programs.
10.	Compliance with environmental and safety standards.
11.	Applicable permit status (i.e. CEQA, etc.).
12.	Consistency with service and/or capital improvement plans and local and regional land use plans/policies.

2. GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA

In identifying an agency's growth and population projections, LAFCO may wish to address the following factors in its review:

ITEM NO.	FACTOR / ISSUE
1.	Projected growth in and around the agency's service areas.
2.	Historic and expected land use absorption trends.
3.	Estimate of future service needs.
4.	Impact of land use plans and growth patterns on service demands.
5.	Impact of service plans and policies on growth and/or land use patterns for adjacent areas, on mutual or regional social and economic interest, and on the local governmental structure of the county.

ITEM NO.	FACTOR / ISSUE
6.	Relationship between an agency's boundary and SOI with the projected growth in the study area.
7.	Compatibility of service plan(s) with other local agency land use/development plans.
8.	Compatibility between agency service plans, regional growth projections and efficient urban development.

3. FINANCING CONSTRAINTS AND OPPORTUNITIES

In identifying an agency's financing constraints and opportunities, LAFCO may wish to address the following factors in its review:

ITEM NO.	FACTOR / ISSUE
1.	Implementation of appropriate financing/funding practices.
2.	Potential for shared financing and/or joint funding applications.
3.	Combination of enterprise and/or non-enterprise financing functions.
4.	Compared analysis of financing rates between other agencies in study area.
5.	Bond rating(s).
6.	Ability to obtain financing.
7.	Existing and/or proposed assessment district(s).
8.	Opportunities for additional revenue streams, including joint agency grant applications, untapped resources, or alternative government structures.
9.	Methods to pay down existing debt(s), including using excess revenues.

4. COST AVOIDANCE OPPORTUNITIES

In identifying an agency's cost avoidance opportunities, LAFCO may wish to address the following factors in its review:

ITEM NO.	FACTOR / ISSUE
1.	Opportunity for joint agency practices, including shared insurance coverage opportunities.
2.	Availability of outsourcing for financial and administrative duties, and cost-benefits of outsourcing versus in-house management.
3.	Duplication of services.
4.	Impact of service practices and/or facilities in relation to land: available for infill; where excess capacity exists; planned for growth; easiest to serve; and with the fewest topographic and geographic constraints; and in a manner that supports affordable housing objectives.
5.	Impact of service practices and/or facilities in relation to benefit/detriment of service cost.
6.	Impact of growth inducement measures on construction costs and near-term infrastructure deficiencies.

ITEM NO.	FACTOR / ISSUE
7.	Policies and/or plans to extend services to an area proposed for annexation or new development, particularly with respect to the impact of extending services on existing customers.
8.	Impact of service practices and/or facilities on affordable housing objectives.
9.	Impact of additional services/capacity on agency's fiscal viability, including cost and adequacy of services in existing or proposed service areas and/or areas served by other special districts, cities, or the county.
10.	Relationship between current level of service and customer needs and preferences.
11.	Opportunities for savings or augmentation in overhead, including employee salary or benefits, elected official compensation or benefits, equipment purchases, planning, etc.
12.	Pro-rata service costs for customer/ratepayer and/or taxpayer.
13.	Application and/or bid process for contractor assistance, including comparison of rates.

5. OPPORTUNITIES FOR RATE RESTRUCTURING

In identifying an agency's opportunities for rate restructuring, LAFCO may wish to address the following factors in its review:

ITEM NO.	FACTOR / ISSUE
1.	Agency's methodology for determining rates.
2.	Availability of revenue enhancement opportunities to lessen and/or stabilize rates.
3.	Relationship between rate differences among service providers and levels of service.
4.	Rate comparison between service providers with similar service conditions.
5.	Cost of services versus fees.
6.	The services that ratepayers and/or assessed properties are receiving for which they are paying.
7.	Financial impacts on existing customers caused by the funding of infrastructure needed to support new development.
8.	Impacts of standby rates (charges assessed to under-or-undeveloped land used for rural, agricultural or open spaces uses) on open space and affordable housing plans.
9.	Relationship between rate and service policies and the provision of decent and affordable housing.
10.	Availability of reasonable emergency reserves.
11.	Use of annual savings.

6. OPPORTUNITIES FOR SHARED FACILITIES

In identifying an agency's opportunities for shared facilities, LAFCO may wish to address the following factors in its review:

ITEM NO.	FACTOR / ISSUE
1.	Current shared activities with other service providers, including shared facilities and staff.
2.	Suggested existing and/or future shared facility opportunities by the agency.
3.	Opportunities for conjunctive and/or joint use projects, such as groundwater storage/parks, schools/parks, or flood detention/parks.
4.	Duplication of existing and/or planned facilities of other service providers.
5.	Availability of excess capacity to serve customers of other agencies.

7. GOVERNMENT STRUCTURE OPTIONS

In identifying an agency's government structure options, LAFCO may wish to address the following factors in its review:

ITEM NO.	FACTOR / ISSUE
1.	Available government options to provide more logical service boundaries to the benefit of customers and regional planning goals and objectives.
2.	Recommendations by a service provider and/or an interested party for government options.
3.	Anticipated proposals to LAFCO that will affect the service provider.
4.	Prior proposals or attempts by the agency to consolidate and/or reorganize.
5.	Availability of government options that improve public participation, local accountability, and governance.
6.	Opportunities to create definite and certain boundaries that conform to lines of assessment or ownership and/or eliminate islands, corridors of unincorporated territory, and other difficult or illogical service areas.
7.	Existing boundary disputes.
8.	Elimination of overlapping boundaries that confuse the public, cause service inefficiencies, unnecessarily increase in the cost of infrastructure, exacerbate rates and/or undermine good planning practices.
9.	Reevaluation of boundaries, including downsizing SOI boundaries and/or approving other boundary modifications that remove important open space and agricultural lands from urban services areas.
10.	Availability of government options that stabilize, steady and/or clarify the government process in order to reduce costs or increase customer satisfaction.
11.	Availability of government options that may produce economies of scale and improve buying power in order to reduce service and housing costs.

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ITEM NO.	FACTOR / ISSUE
12.	Availability of government options that cause appropriate facilities to be shared and avoid the construction of extra and/or necessary infrastructure.
13.	Making excess capacity available to other service users in order to eliminate duplicate infrastructure construction by multiple agencies and reduce costs to customers.
14.	Opportunities to improve the availability of water rights and/or supplies (surface, reclaimed or groundwater) to a larger customer base through a change in government organization.
15.	Availability of government options that could facilitate construction, financing and/or eliminate the need for new facility construction.
16.	Cost-benefit of restructuring current elected board and/or administration to any proposed alternative.
17.	Cost-benefit of restructuring overhead, including staff, capital outlays, allocation of reserves or savings, loaded administrative charges for grant administration, accounting, and other contracted services.
18.	Cost-benefit of restructuring the direct distribution of costs or debts from shared facilities to a larger user population.
19.	Opportunities for the sale of surplus properties through a change in government organization.
20.	Availability of excess reserves for service improvements and/or rate reductions through a change in government organization.
21.	Opportunities to enhance capital improvement plans and programs through a change in government structure.
22.	Opportunities to streamline services through the reorganization of service providers that no longer provide services for which they were formed.
23.	Opportunities for early debt repayment and related savings through a change in government structure.
24.	Elimination of rate structures that impose growth pressures on open space resources.
25.	Identification of illogical boundaries and their effect on rates.
26.	Impact of government structure options on an agency's financial stability.
27.	Rationale for an agency's emergency and/or undesignated reserves (fund equity or balance), particularly in relation to their gross annual revenue.
28.	Changes and/or modifications in boundaries in order to promote planned, orderly, and efficient patterns of urban development.
29.	Changes and/or modifications in boundaries in order to avoid premature inducement, facilitation, or conversion of existing open space lands, including: the direction of growth away from prime agricultural and important open space lands towards infill areas or areas containing nonprime agricultural land; the development of vacant land adjacent to existing urban areas and within existing spheres of influence.
30.	Boundary adjustments in order to minimize the amount of land needed to accommodate growth in the next 5-10 years within the spheres of influence of special districts and cities.

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ITEM NO.	FACTOR / ISSUE
31.	Prevention of extensions of urban services to important agriculture and open space areas not planned for growth or within the boundaries of the city or special district.
32.	Impact of a change in government structure on the implementation of regional transportation, water quality, air quality, fair share housing allocation, environmental justice, airport land use, open space, agricultural, and other environmental policies or programs.
33.	Impacts of government structures on fair housing programs.
34.	Available government options that improve the ability to provide and explain budget and financial data.
35.	Opportunities for improvement in the quality and/or levels of service through changes in government structure.
36.	Impact of investment policies on service levels and quality.
37.	Evaluation of bond rates, ability to borrow or obtain grants, budget practices and other aid.
38.	Ability to gain environmental benefits (wetland restoration, water conservation, and other conservation policies) through government structure options.
39.	Opportunities to integrate services without excessive cost.
40.	Cost-benefit analysis of potential changes in government structure through merging staff, staff reduction by attrition, phasing out of elected or appointed positions, and management staff.
41.	Opportunities for improved service delivery and/or an increase in system standards by system integration through changes in government structure.
42.	Identify prohibitions in the affected Principal Acts that would affect government structure options, including pending litigation, court judgments, other legal issues, restricted assets, financial or other constraints.
43.	Integration of debts and obligations analyses.
44.	Potential successor agencies.
45.	Impact on existing systems (upgrades) due to government structure changes.
46.	Impact on operating cost (short and long term) due to government structure changes.
47.	Evaluation of long term savings through government structure changes versus related transition costs.
48.	Evaluation of permit status upon integration.

8. EVALUATION OF MANAGEMENT EFFICIENCIES

In evaluating an agency's management efficiencies, LAFCO may wish to address the following factors in its review:

ITEM NO.	FACTOR / ISSUE
1.	Evaluation of agency's capacity to assist with and/or assume services provided by other agencies.
2.	Evaluation of agency's spending on mandatory programs.
3.	Comparison of agency's mission statement and published customer service goals and objectives.
4.	Availability of master service plan(s).
5.	Contingency plans for accommodating existing and planned growth.
6.	Publicized activities.
7.	Implementation of continuous improvement plans and strategies for budgeting, managing costs, training and utilizing personnel, and customer service and involvement.
8.	Personnel policies.
9.	Availability of resources (fiscal, manpower, equipment, adopted service or work plans) to provide adequate service.
10.	Available technology to conduct an efficient business.
11.	Collection and maintenance of pertinent data necessary to comply with state laws and provide adequate services.
12.	Opportunities for joint powers agreements, Joint Powers Authorities, and/or regional planning opportunities.
13.	Evaluation of agency's system of performance measures.
14.	Capital improvement projects as they pertain to §65401 and §651039c.
15.	Accounting practices.
16.	Maintenance of contingency reserves.
17.	Written policies regarding the accumulation and use of reserves and investment practices.
18.	Impact of agency's policies and practices on environmental objectives and affordable housing.
19.	Environment and safety compliance.
20.	Current litigation and/or grand jury inquiry involving the service under LAFCO review.

9. LOCAL ACCOUNTABILITY AND GOVERNANCE

In evaluating an agency's local accountability and governance structure, LAFCO may wish to address the following factors in its review:

ITEM NO.	FACTOR / ISSUE
1.	Compliance with state disclosure laws and the Brown Act.
2.	Level of public participation (i.e. open meetings, accessible staff and elected officials, an accessible office open to the public, a phone and/or message center, customer complaint and suggestion opportunities).
3.	Agency representatives (i.e., board members, employees, staff).
4.	Public outreach efforts (i.e. newsletters, bill inserts, TV, website).
5.	Media involvement (i.e. meetings publicized, evening board meetings, evening or weekend public planning sessions).
6.	Accessibility of meetings (i.e. meetings publicized, evening board meetings, evening or weekend public planning sessions).
7.	Election process.
8.	Participation of service users in elections (i.e. elections publicized, day and evening voting).
9.	Public access to adopted budgets.
10.	Budget reports' compatibility with state law.
11.	Audits.
12.	Access to program progress reports.
13.	Current provision of service(s).

PART III - TAKING ACTION ON THE MUNICIPAL SERVICE REVIEW

CHAPTER 9. PREPARING THE MUNICIPAL SERVICE REVIEW REPORT

After collecting and evaluating municipal service review information, LAFCO's Executive Officer should prepare a written report to document the analysis and determinations.

A. DRAFT MUNICIPAL SERVICE REVIEW REPORT

The Draft Municipal Service Review Report should minimally contain the following elements:

- An Executive Summary.
- Review of baseline data and information related to the service or services being reviewed.
- A description of the public participation process.
- An analysis of services, service providers and other issues consistent with the intent of the CKH Act ([§56001](#), [§56300](#), [§56301](#)), and including, but not limited to, factors to be considered ([§56668](#)), areas of required determination ([§56430](#)), SOI concerns ([§56425](#), [§56425.5](#)) and environmental justice issues, if any.
- Draft Determinations. (see section B below for more information).
- Follow-up recommendations, if any.
- Appropriate maps that identify service areas, and clearly delineate overlapping areas using GIS generated maps, if available, to ensure consistency among agencies.

B. WRITTEN DETERMINATIONS

The nine determinations that must be made by the LAFCO Commission are critical because they represent the culmination of the municipal service review process. The CKH Act does not identify a particular format for the nine required determinations nor does it dictate the substance of these determinations. OPR provides the following recommendations for preparation of written determinations, and recommends that each LAFCO establish its own policy or procedure for using a consistent method of preparing written determinations.

A determination is one or more declaratory statements that make a conclusion, based on all the information and evidence presented to the Commission (i.e., the administrative record), with respect to the nine factors enumerated in Government Code [§56430](#). These determinations must be supported by evidence in the record of the municipal service review proceedings, including all of the information collected, the LAFCO's analysis and interpretation of the information, verbal and written information presented by the public, and verbal and written testimony given at public hearings. Each of the nine determinations must be adequate to bridge the gap between raw data and the final conclusion about the status or condition of the municipal service under review. OPR recommends that the determinations be written in qualitative and/or quantitative terms, as appropriate, and refer to specific information or examples relative to the municipal service under review and the particular factor (determination) being considered.

While the Commission is ultimately responsible for making these determinations, OPR recommends that the LAFCO staff report include proposed determinations for the Commission to consider, adopt and include in its final resolution.

C. DISTRIBUTION AND COMMENT PERIOD

OPR recommends that LAFCO provide a formal public review period on the draft municipal service review report and hold at least one public meeting and/or workshop prior to the report being considered by LAFCO. It may be helpful to conduct a stakeholder meeting during the review period to obtain constructive input from those who helped shape the municipal service review.

D. FINALIZING THE REPORT TO THE COMMISSION

Comments received during the public review period should be considered and incorporated in the final report as appropriate. Any person or entity that submits comments should receive a copy of the final municipal service review report and a mailed notice of the public hearing at which the municipal service review determinations will be considered by the Commission.

The determinations will still be draft until they are accepted by the Commission at a public hearing. OPR recommends that the report, at a minimum, be issued concurrent with the notice for the public hearing (21-days in advance of the hearing) to consider and adopt municipal service review determinations.

CHAPTER 10. ADOPTING THE MUNICIPAL SERVICE REVIEW REPORT

A. INTRODUCTION

After a Final Municipal Service Review Report is issued, the Commission will need to take steps to complete its municipal service review responsibilities. LAFCO will need to conduct a hearing to consider and adopt the municipal service review report which will include the draft determinations.

A well-crafted municipal service review is an information and planning resource for LAFCOs, cities, counties, special districts and regional planning agencies. The Final Municipal Service Review Reports should be made available to affected and interested agencies and local and regional planning agencies for use as data resource documents.

B. PUBLIC NOTICE

The Final Municipal Service Review Report is required to be considered by LAFCO at a noticed public hearing. Government Code [§56150-§56160](#) include public notice provisions. Government Code [§56154](#) and [§56156](#) require that published and mailed notice be provided at least 21 days prior to the public hearing. All affected and interested agencies, and persons and entities requesting notice, should receive a mailed notice. The notice should include a description of the municipal service review, and any actions that may be taken by LAFCO at the hearing. Those actions may include approval of the report, adoption of the draft determinations and any other actions recommended by staff.

REMINDER

If LAFCO has initiated other proposals that are being processed concurrent with a service review, it must also comply with processing steps for those actions.

Copies of the Final Municipal Service Review Report, including draft determinations, should be made available on the LAFCO's web site and mailed to affected and interested agencies. Although not required by law, OPR recommends that the report be made available to the public at least 21 days prior to the public hearing.

C. ACTIONS AT THE HEARING

The hearing should be conducted consistent with LAFCO's adopted written procedures. Some of the actions that LAFCO could take during the hearing include:

- **Adoption of Resolution of Written Determinations**
Service review determinations should be adopted by Resolution.
- **Adoption of Municipal Service Review Report Recommendations**

LAFCO may adopt staff recommendations and direct staff to take follow up actions as appropriate.

- **Adoption of City or District SOI Updates or Amendments**

If the municipal service review supports a particular action such as an SOI update or amendment, and LAFCO has complied with required processes, those actions could be approved at the same hearing.

- **Initiation or Adoption of Other Proposals**

If the municipal service review supports a particular action such as an initiation or adoption of an organization or reorganization proposal, and LAFCO has complied with required processes, those actions could be approved or initiated at the same hearing.

D. RECONSIDERATION

The CKH Act includes a process for interested persons and entities to request LAFCO to reconsider its determinations. Pursuant to [§56895](#), when a Commission has adopted a resolution making determinations, any person or affected agency may file a written request with the LAFCO executive officer requesting amendments to or reconsideration of the resolution. The request must include the recommended modification and state what new or different facts or applicable new law, that could not have been known previously, warrant this reconsideration.

The request for reconsideration must be filed within 30 days of the LAFCO Commission's action. The reconsideration action should be scheduled for the next LAFCO hearing for which adequate notice can be given. Oral and written testimony may be received at the reconsideration hearing. LAFCO may continue the hearing from time to time but not longer than 70 days from the date of the first hearing ([§56895](#)).

FOR MORE INFORMATION

This guidance document was prepared by OPR to assist the public, LAFCOs and service providers to effectively engage in the service review process. Additional information on LAFCO may be found on the OPR website at www.opr.ca.gov.